The Morals of Affluence

GREEN GIANT COMPANY

FISCAL 65

BOARD OF DIRECTORS

JERVIS J. BABB
Director, Lever Brothers Company
New York, New York

EDWARD C. BROWN
Executive Vice President (retired)
First National Bank, St. Paul, Minnesota

ROBERT C. COSGROVE
President

WILLIAM F. DIETRICH
President, Community Investment Enterprises, Inc.
Minneapolis, Minnesota

L. E. FELTON
Chairman of the Board

A. DOUGLAS HANNAH
Executive Vice President, J. H. Hillman & Sons Co.
Pittsburgh, Pennsylvania

THOMAS G. HARRISON
Chairman of the Executive Committee
Super Valu Stores, Inc., Hopkins, Minnesota

MILTON H. MORRIS
President, Milton H. Morris and Company
Chicago, Illinois

M. CRAWFORD POLLOCK
Vice President

GEORGE C. SCOTT
Vice President

C. J. TEMPAS
Vice President

ARTHUR R. UPGREN
Frederic R. Bigelow — Professor of Economics,
Macalester College, St. Paul, Minnesota

LLOYD C. VOLLING
Senior Vice President

ADVISORY DIRECTORS

OSCAR B. JESNESS, *St. Paul, Minnesota*
WARD H. PATTON, *Minneapolis, Minnesota*
ALBERT D. RADEBAUGH, *Sebring, Florida*
GEORGE F. WINTER, *Le Sueur, Minnesota*

DIRECTORY OF OFFICERS

L. E. FELTON, *Chairman of the Board*
ROBERT C. COSGROVE, *President*
LLOYD C. VOLLING, *Senior Vice President*
HARRY HODGE, *Vice President and Controller*
W. HOLLIS MERRICK, *Vice President and Treasurer*
NEIL R. MOREM, *Secretary*
M. CRAWFORD POLLOCK, *Vice President*
GEORGE C. SCOTT, *Vice President*
C. J. TEMPAS, *Vice President*

HEADQUARTERS: Le Sueur, Minnesota

GREEN GIANT COMPANY

ANNUAL REPORT FOR FISCAL

YEAR ENDED MARCH 31, 1965

NOV 2/1965

THE YEAR AT A GLANCE

	March 31 1965	*March 31* 1964 *(Adjusted)*
Sales (Net after Returns and Allowances)	$115,713,309	$ 97,631,559
Net Profit Before Taxes	6,314,773	3,604,079
Per Cent of Sales	5.5%	3.7%
Net Profit After Taxes	3,113,085	1,812,173
Per Cent of Sales	2.7%	1.9%
Per Share of Common Stock (Average shares outstanding after adjustment for Stock Split April, 1965)	1.54	.90
Working Capital	29,531,422	28,270,955
Fixed Assets (Net)	19,553,419	19,346,347
Net Worth	31,959,618	29,592,487
Per Share of Common Stock (Average shares outstanding after adjustment for Stock Split April, 1965)	15.24	14.44

To: SHAREHOLDERS AND EMPLOYEES

This past year, Green Giant reached new highs in both sales and earnings. Sales of $115,713,309 are $18,081,750 – or, 18½% ahead of last year. Profits of $3,113,085 are $1,300,912 higher than last year and well above the previous all-time high of $2,202,407 achieved in the fiscal year ended March 31, 1961. Profits as a percent of sales were 2.7% this year compared to 1.9% last year.

On a per-share-of-common-stock basis (adjusted to reflect the recent two-for-one stock split), earnings were $1.54 this year compared to $.90 last year and $1.20 per share in the record year of 1961.

Net earnings for the four years ended March 31, 1964, have been adjusted to give effect to accounting practices followed during the year ended March 31, 1965, which accounts for the differences in this report from those previously reported.

Dividends on the common stock were increased for the seventh consecutive year from an annual rate last year of 55 cents per share to 60 cents per share. The book value of each outstanding share is now $15.24.

Working capital increased $1,260,467 to $29,531,422. Net worth increased $2,367,131 to $31,959,618.

The year demonstrated an ability to grow substantially in sales and to show a healthy improvement in the net return to stockholders. As we continue to grow and spread our risk over broader and more diversified lines, we expect to show progressively greater stability in earning capacity.

Marketing, incorporating its many facets: Market Research, Consumer Sales, Institutional Sales, Advertising and Merchandising, and Home Services, is a vital part of the present and future picture of Green Giant Company. Our franchises have never been stronger. For these reasons, the Marketing Division is being featured in this year's Annual Report.

We invite your attention to the pages which follow. They give, in more detail, the highlights of the past year.

Chairman of the Board

President

L. E. FELTON, CHAIRMAN OF THE BOARD

R. C. COSGROVE, PRESIDENT

THE YEAR IN REVIEW

Production

Net capital expenditures this past fiscal year amounted to $3,800,000. These funds were expended primarily to provide the necessary facilities to accommodate the $18,000,000 increase in Company sales. A portion of these funds went toward increasing the productivity of our various operations.

In the United States, many operational improvements were made. We obtained a significant increase in the cases of corn recovered from a ton of raw produce. Additional pea combines were acquired including units adaptable to the hillside operation in the Pacific Northwest. A concerted effort was made toward enlarging the farm units for more economical operation. Portable freezing equipment was used successfully which promises greater operating flexibility and subsequent economies. Freezing facilities were greatly expanded and improved at Belvidere, Illinois and Waitsburg, Washington. Facilities were installed at Niles, Michigan for freezing mushrooms. The facilities at Watertown and Winthrop, Minnesota were sold this past year as they were relatively small and had become economi-

cally inefficient. (Capacity at other plant locations was increased to more than absorb this production.) A new land site was acquired in Salinas, California as a promising location for expanding production capacity.

In Canada, construction of a new can manufacturing facility at Tecumseh, Ontario was started and will be in operation early this fall. It should improve our earning capacity. Several new products were successfully introduced. The Canadian operation set new record highs in both sales and earnings. Canada continues to produce products for export to the United Kingdom.

In the United Kingdom, the marketing of Green Giant Brand items was encouraging. While progress is slow, the trend augurs well for the future.

At Pozzaglio, Italy, a new plant was completed this past year. This plant processed limited quantities of peas, beans and asparagus. These items are being marketed primarily in Italy with limited quantities going to other Common Market countries. This operation showed a loss this past year, which was anticipated. These losses will continue until markets for the products can be more fully developed. We are confident that this "Common Market" operation will eventually be successful.

Other International activities include an arrangement whereby certain portions of our mushroom requirements are produced and canned in Formosa. An agreement has also been signed with a Mexican mushroom producer to further augment our mushroom supplies.

In summary, our production facilities are strategically located to spread the risk and give low operating costs. Capital money will continue to be spent to accommodate sales and improve productivity.

Marketing

The marketing situation this past year was more favorable than we have experienced in many years.

Canned vegetables, almost without exception, were in balanced supply. This allowed for orderly marketing at reasonable prices. For example, there was little of the hectic price-cutting and promotional activity on corn which we have witnessed the preceding three years.

Our frozen products made strong mar-

keting gains, accounting for about twenty-nine million dollars in sales compared to twenty million dollars the year before. Twelve items are now in national distribution:

Early June peas
Sweet peas
Niblets Brand corn
Mexicorn Brand corn
Kitchen Sliced Brand green beans
Baby limas
Italian green beans
Broccoli
Brussels sprouts
Spinach
Mixed vegetables
Carrots
(all in butter sauce)

Five additional butter sauce items are in the market test stage, and five new cream - and - cheese - sauce items are also being tested. Frozen sales in Canada are on the increase.

Our Green Giant franchise continues to grow in public recognition as evidence of a source of high-quality, dependable food products.

Research

Research continues as a vital part of our philosophy to concentrate on products wherein we are able to develop distinctiveness and premium quality. Recently completed was the second phase of a three-phase program to modernize our research facilities. The Agricultural Research building was completed two years ago; the Chemical and Process Research addition was dedicated this past year, and another new facility for the New Product Research Department is now on the drawing board.

There is a substantial backlog of new and improved products, processes, packages and varieties in various stages of research and development. We are continuing our efforts on machinery and equipment development.

Financial and Accounting

Several important changes were made and are being made in our financial and accounting structure and operation. A new computer setup is in the process of being installed at the headquarters office in Le Sueur which promises to reduce clerical costs while enhancing the decision-making process.

Three of our wholly-owned subsidiaries – Producers Container Company, Dawn Fresh Company, and Sterling Industries, Inc. – were dissolved. They will operate as divisions of the parent company. This will simplify accounting procedures and make possible certain clerical and tax economies.

The First National Bank, Minneapolis, Minnesota, and The Chase Manhattan Bank, New York City, were named Transfer Agents for Green Giant Company common and preferred stock. The First National Bank of Minneapolis, Minnesota, and the First National City Bank, New York City, were named Registrars for such stock.

At a meeting of stockholders held on April 15, 1965, three important proposed amendments to the Articles of Incorporation were approved. The first amendment authorized the increase of the common stock of the Company from 2,000,000 shares to 4,000,000 shares. The second amendment eliminated preemptive purchase rights of stockholders. And, the third amendment eliminated cumulative voting rights. After these amendments, the Board voted to split the common stock and the convertible common stock two-for-one, effective at the close of business on April 15, 1965. As stated in the material sent to stockholders, we are of the opinion that these changes were advisable for the long-term progress of the Company. An immediate objective is to maximize benefits to the Company from an offering of 300,000 shares of common stock being placed on public sale in late June, 1965.

Organization

We record the following changes in the membership of the Board of Directors and Officers effected during the past year:

At the June, 1964 Annual Stockholders' Meeting, the following were elected to the Board of Directors:

M. Crawford Pollock
Vice President, Marketing

C. J. Tempas
Vice President, Operations

A. Douglas Hannah
Executive Vice President,
J. H. Hillman and Sons Company,
Pittsburgh, Pennsylvania.

At the June, 1964 Board of Directors' Meeting, L. E. Felton, former President of the Company, was elected Chairman of the Board, and Robert C. Cosgrove, former Chairman of the Board, was elected President and Chief Executive Officer. These changes were made to allow for an orderly transition of duties after Mr. Felton retired as a regular employee on December 31, 1964, under the Company's retirement policy. Mr. Felton's counsel will continue to be available as Board Chairman.

It is with regret that we record the resignation of Jervis J. Babb from the Board of Directors effective April 1, 1965. This action on his part was taken to avoid a possible conflict of interest with respect to positions he holds with other companies. Mr. Babb's sound advice and counsel will be sorely missed.

The record of this past year reflects the efforts of many people concertedly working together. We take this opportunity to publicly thank them. We look to continued successful growth of the Company.

M. C. POLLOCK
VICE PRESIDENT
MARKETING

Green Giant's most important decision in the past decade has been to diversify its product line, and in so doing to concentrate on those products wherein distinctiveness, premium quality and superior advertising could be developed. The Marketing Division has a vital part in this total endeavor. They must feel the consumer's pulse for new product ideas. They must guide the newly developed products through various stages of market testing. They must then forecast the Company's sales requirements on a realistic basis and plan the orderly liquidation of the inventories. All this at prices and promotional levels that will produce maximum profits for the company.

R. E. BENGSTON
DIRECTOR
MARKET
RESEARCH

Determining consumer wants is the Market Research Department's assignment. Through consumer testing and market observation, this department weighs the Green Giant's market position on all products and judges the advisability of introducing new products. Green Giant, through its extensive market research program, has been able to gain direction for the successful introduction of new products and move toward new growth. One example of an important step taken after a great deal of careful, thorough market research was the Company's entry into the frozen food field.

L. H. POLSFUSS
DIRECTOR
MARKETING

Product merchandising is a powerful force, but it cannot be turned off and on and maintain its effectiveness. The ever-changing consumer picture, with old families dropping out and new families being added, is why Green Giant sustains an aggressive and creative advertising and merchandising program, year after year, regardless of temporary market conditions. Network television, national magazines, as well as local media, are used to reach the consumer. These, coupled with consumer premium offers and in-store displays, have built for the Company several outstanding franchises—including a trademark that is one of the most highly respected—and best loved—in the nation.

R. C. HENLEY
DIRECTOR
SALES

Green Giant has been a leader for the past several decades in the sale of canned products. It has earned consumer confidence as a source of premium quality canned vegetables. More recently, the Company has received national recognition for its efforts in the frozen food field—a market area it penetrated only within the past three years. Green Giant credits its success in the market place to the sales effectiveness of its own field staff working through a network of 100 outstanding brokers, and by its constant attention to the maintenance of good relations with the grocery trade. Because an out-of-stock situation at retail means lost sales, the Sales Department strives continually to keep distributors and their retail outlets stocked and in business month-in, and month-out. It also coordinates its promotional activities with those of the Merchandising staff to achieve maximum consumer response and rapid shelf movement of our products. As a result of its marketing policies, Green Giant has established a reputation for integrity within the market place of which it is proud—and which it guards zealously.

M. J. KEEVER
DIRECTOR
INSTITUTIONAL
MARKETING

As the average family's income increased, eating out became a regular part of family living. Noticing the changing scene, in 1961 Green Giant accelerated its institutional marketing efforts. Franchises which proved invaluable on the consumer front—product distinctiveness and dependability of quality—are guiding the Green Giant to leadership within one of the fastest growing segments of the food industry.

M. E. JENKS
DIRECTOR
HOME SERVICES

The homemaker's menu planning is important to Green Giant because the Company does not consider its products sold until they are consumed. Home Services activities, therefore, are directed towards familiarizing the housewife with the menu variety possible through use of Green Giant products. Recipe development, with subsequent appearance on food pages of the nation's leading newspapers and magazines, is one way the Green Giant has added "the feminine touch" to his sales force.

GREEN GIANT COMPANY PRODUCTS

It's the things you do
When you don't have to do them,
That make products stand out
And lead people to them.

GREEN GIANT BRAND

CANNED

ASPARAGUS: Whole Spears, Cut Spears

BEANS (GREEN): Whole, French-style, Diagonal Cut

BEANS (WAX): Whole, French-style, Diagonal Cut

CORN (GOLDEN): Liquid Packed Whole Kernel, Cream-style

CORN (WHITE): Whole Kernel Shoe Peg

PEAS: Sweets, Early Junes with Onions

FROZEN

IN BUTTER SAUCE: Little Baby Peas, Whole Kernel Corn, Baby Lima Beans, Diagonal Cut Green Beans, Baby Brussels Sprouts, Whole Kernel Corn with Peppers, Broccoli Spears, Italian Green Beans, Spinach, Mushrooms, Cut Asparagus Spears, Sweet Peas, Mixed Vegetables, Carrot Nuggets, Peas with Onions

IN CHEESE SAUCE: Broccoli, Cauliflower

IN CREAM SAUCE: Peas, Spinach

IN MUSHROOM SAUCE: Diagonal Cut Green Beans

NIBLETS BRAND

CORN (GOLDEN): Vacuum Packed Whole Kernel

MEXICORN BRAND

CORN (GOLDEN): Vacuum Packed Whole Kernel with Peppers

LE SUEUR BRAND

ASPARAGUS: Extra Large Whole Spears, Medium Whole Spears in Glass

BEANS (GREEN): Whole, Vertical Pack in Glass

CORN (WHITE): Whole Kernel Shoe Peg

MUSHROOMS: Whole, Sliced

PEAS: Early Junes

DAWN FRESH BRAND

MUSHROOMS: Whole, Buttons, Sliced, Stems and Pieces

OTHER: Mushroom Steak Sauce, Condensed Mushroom Soup, Brown Gravy

KOUNTY KIST BRAND

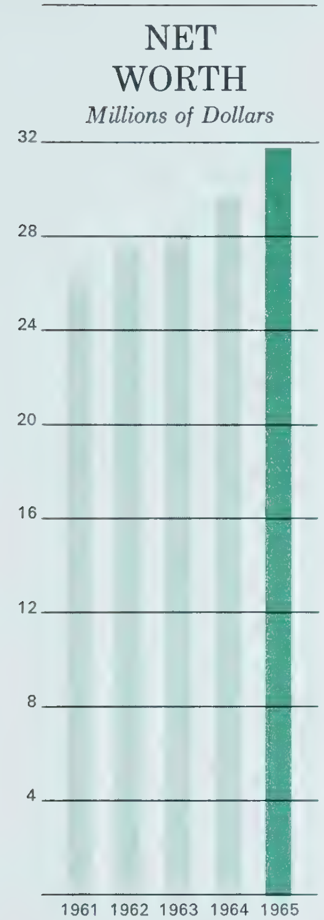
ASPARAGUS: Whole Spears, Cut Spears

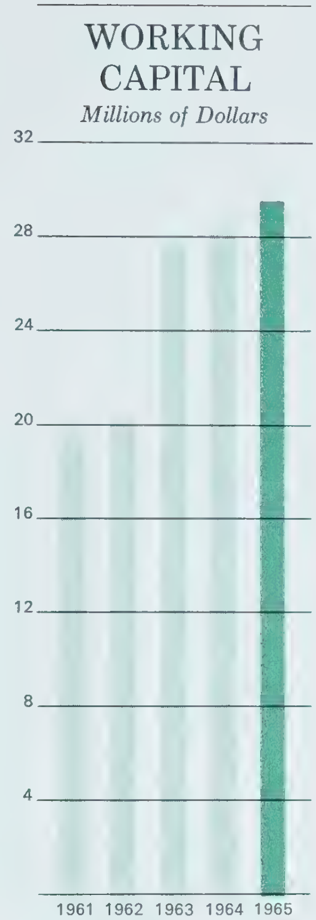
BEANS (GREEN): Whole, French-style, Diagonal Cut

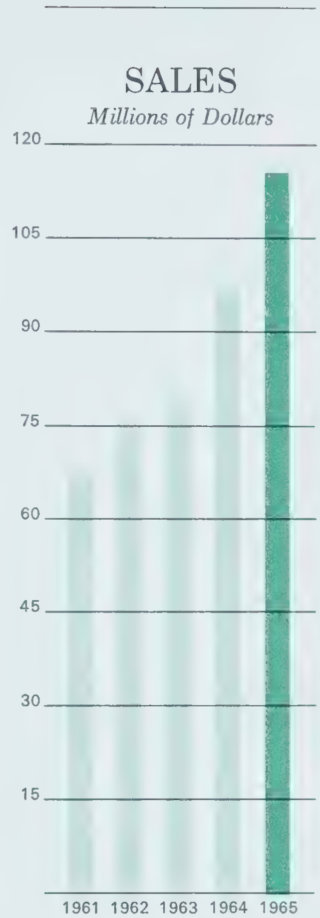
BEANS (WAX): French-style, Diagonal Cut

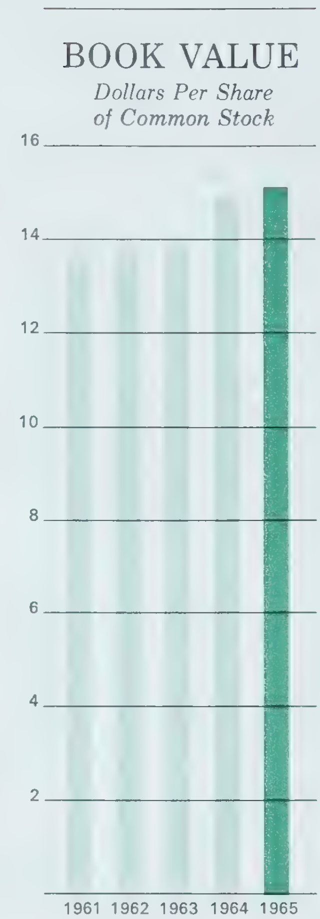
CORN (GOLDEN): Vacuum Packed Whole Kernel, Liquid Packed Whole Kernel, Cream-style

PEAS: Sweets, Early Junes

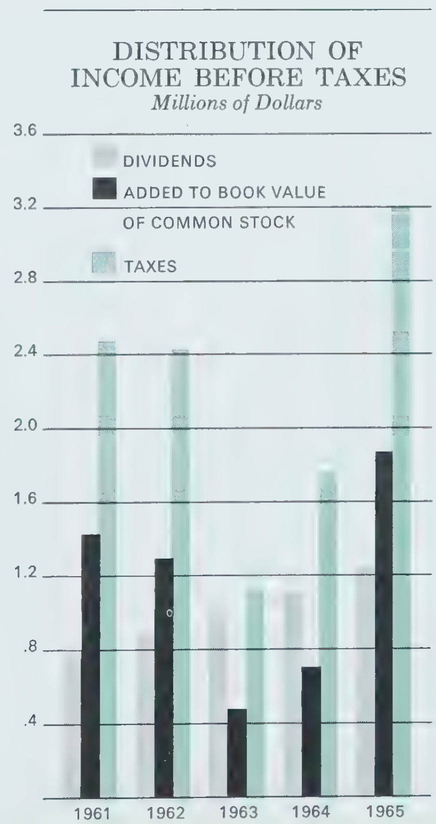

NET WORTH
Millions of Dollars
32
28
24
20
16
12
8
4
1961 1962 1963 1964 1965

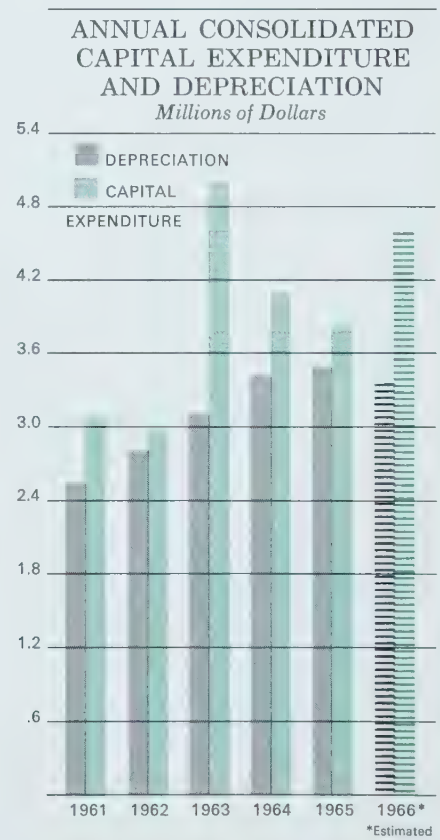

WORKING CAPITAL
Millions of Dollars
32
28
24
20
16
12
8
4
1961 1962 1963 1964 1965


SALES
Millions of Dollars
120
105
90
75
60
45
30
15
1961 1962 1963 1964 1965


BOOK VALUE
Dollars Per Share of Common Stock
16
14
12
10
8
6
4
2
1961 1962 1963 1964 1965


EARNINGS AND DIVIDENDS
Dollars Per Share of Common Stock
1.62
1.44
1.26
1.08
.90
.72
.54
.36
.18
DIVIDENDS
EARNINGS
1961 1962 1963 1964 1965


DISTRIBUTION OF INCOME BEFORE TAXES
Millions of Dollars
3.6
3.2
2.8
2.4
2.0
1.6
1.2
.8
.4
DIVIDENDS
ADDED TO BOOK VALUE OF COMMON STOCK
TAXES
1961 1962 1963 1964 1965


ANNUAL CONSOLIDATED CAPITAL EXPENDITURE AND DEPRECIATION
Millions of Dollars
5.4
4.8
4.2
3.6
3.0
2.4
1.8
1.2
.6
DEPRECIATION
CAPITAL EXPENDITURE
1961 1962 1963 1964 1965 1966*
*Estimated

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended March 31, 1965 and March 31, 1964

	1965	1964 (Note 2)
SALES (net after returns and allowances)	$115,713,309	$ 97,631,559
Other income — net	192,392	506,314
TOTAL	$115,905,701	$ 98,137,873
COST AND EXPENSE		
Cost of goods sold	$ 76,843,619	$ 65,064,761
Marketing, distribution and general expense (Note 9)	30,558,609	27,528,689
Interest expense	1,815,929	1,853,458
Net loss of unconsolidated subsidiaries (after $300,000 income tax benefit in 1964)	372,771	86,886
Income taxes (Note 10)	3,201,688	1,791,906
TOTAL	$112,792,616	$ 96,325,700
NET INCOME FOR THE YEAR	$ 3,113,085	$ 1,812,173
RETAINED EARNINGS AT BEGINNING OF YEAR	23,893,086	23,189,954
TOTAL	$ 27,006,171	$ 25,002,127
CASH DIVIDENDS		
Preferred (per share — $5.00 each year)	$ 121,665	$ 121,665
Common and convertible common (per share — 1965, $.575 — 1964, $.525)	1,112,941	987,376
TOTAL	$ 1,234,606	$ 1,109,041
RETAINED EARNINGS AT END OF YEAR	$ 25,771,565	$ 23,893,086

See notes to financial statements

STATEMENT OF FINANCIAL POSITION

March 31, 1965 and March 31, 1964

	1965	1964 (Note 2)
CURRENT ASSETS		
Cash	$ 3,528,267	$ 2,981,488
Receivables from customers and others	9,412,496	8,851,549
Inventories (Note 3)	33,122,120	35,298,161
Prepaid expenses	1,198,792	1,177,193
	$47,261,675	$48,308,391
CURRENT LIABILITIES		
Notes payable and current maturities on long-term debt	$ 8,931,062	$13,335,554
Accounts payable	4,608,906	4,054,588
Income taxes	1,153,967	519,856
Other taxes and expenses accrued	3,036,318	2,127,438
	$17,730,253	$20,037,436
WORKING CAPITAL	$29,531,422	$28,270,955
FIXED ASSETS (Note 4)	19,553,419	19,346,347
OTHER ASSETS		
Investment in and advances to unconsolidated subsidiaries (Note 5)	1,767,662	961,070
Life insurance and sundry	49,704	103,636
TOTAL ASSETS LESS CURRENT LIABILITIES	$50,902,207	$48,682,008
LONG-TERM DEBT (Note 6)	18.942,589	19,089,521
NET ASSETS	$31,959,618	$29,592,487
STOCKHOLDERS' EQUITY		
Capital stock outstanding (Note 7)		
Preferred	$ 2,433,300	$ 2,433,300
Common and convertible common	3,754,753	3,266,101
Retained earnings (Note 6)	25,771,565	23,893,086
	$31,959,618	$29,592,487

Commitments and contingent liabilities (Note 8)

See notes to financial statements

GREEN GIANT COMPANY
and Consolidated Subsidiaries

SOURCE AND APPLICATION OF FUNDS

Year Ended March 31, 1965

FUNDS PROVIDED:

Net Income for the Year		$3,113,085
Depreciation and Amortization of Fixed Assets:		
Plant and Farm Properties	$3,337,144	
Asparagus Beds	72,175	3,409,319
Fixed Asset Abandonments:		
Plant and Farm Properties	$ 145,066	
Asparagus Beds	39,594	184,660
Proceeds from Sale of 34,328 Shares of Common Stock under Employees' Stock Option Agreement		488,652
Other — Net		53,932
Total		$7,249,648

FUNDS APPLIED:

Fixed Asset Additions:		
Plant and Farm Properties	$4,053,191	
Less Sales	393,647	
	$3,659,544	
Asparagus Bed Development	141,507	$3,801,051
Dividends Paid		1,234,606
Investment in and Advances to Unconsolidated Subsidiaries — Net		806,592
Long-Term Debt — Net		146,932
Total		$5,989,181
INCREASE IN WORKING CAPITAL		$1,260,467

NOTES TO FINANCIAL STATEMENTS

Note 1 — Principles of Consolidation. Consolidated subsidiarie include the following:

- Green Giant of Canada Limited (99.78% owned throug out the year).
- Sterling Industries, Inc. (wholly-owned until dissolutio as of February 28, 1965).
- Dawn Fresh Company and Producers Container Com pany (both wholly-owned until dissolution as of Marc 31, 1965).

All material inter-company items have been eliminated i the consolidation. The accounts of Sterling Industries, In (not previously consolidated) have been included in th consolidation after adjustment to conform with the parer company's accounting principles. The accounts of Gree Giant of Canada Limited have been converted at appro priate rates of exchange, in lieu of the Company's forme practice of providing for unrealized loss on foreign exchang based upon working capital of the Canadian subsidiary.

Note 2 — Prior Years' Adjustments

(a) Retained Earnings

Retained earnings as of April 1, 1963, previously reporte as $23,873,414, are restated herein as $23,189,954. The n reduction, $683,460, consists of:

Transfer to common stock of amount credited to retained earnings upon acquisition of Michigan Mushroom Company as of October 31, 1960	$394,78
Retroactive adjustment of reported earnings for periods prior to April 1, 1963	288,67
Total	$683,46

(b) Net Earnings

Net earnings for the year ended March 31, 1964, as pr viously reported, have been retroactively adjusted to giv effect to accounting practices followed during the yea ended March 31, 1965, as follows:

Increase (decrease) in net earnings:	
Adjustment of inventories to apply uniform methods to inclusion of overhead and to determination of cost of cans, green produce, seed and peppers produced internally	($449,551
Adjustment to charge, to years incurred, advertising expenses deferred in 1964 and foreign market development expenses deferred in 1962, including reversal of related amortization	(413,811
Sundry adjustments	(37,257
Restatement of provisions for bonuses and retirement trust contributions based on earnings and for income taxes as affected by foregoing adjustments	569,501
Restatement of investment credit previously deferred	(118,103
Net (decrease)	($449,221
Net earnings as previously reported	2,261,394
Net earnings as restated	$1,812,173

Note 3 — Inventories. Inventories, stated at the lower of co (first-in, first-out) or market, used in the computation o cost of goods sold for the two years ended March 31, 196 were as follows:

March 31,	Total	Processed Foods	Materials and Supplies
1963	$30,340,544	$17,132,808	$13,207,736
1964	35,298,161	22,209,449	13,088,712
1965	33,122,120	19,783,584	13,338,536

Note 4 – Fixed Assets. Fixed assets are summarized as follows:

	March 31, 1965	March 31, 1964
Plant and farm properties at cost		
Land and land improvements	$ 1,069,703	$ 958,073
Buildings	12,422,942	12,104,828
Machinery, equipment and fixtures	23,908,923	22,667,016
Under construction	957,544	1,033,605
	$38,359,112	$36,763,522
Less: Accumulated depreciation	19,524,346	18,106,091
	$18,834,766	$18,657,431
Asparagus beds – amortized cost	718,653	688,916
Total	$19,553,419	$19,346,347

Depreciation of fixed assets (including amortization of asparagus beds) amounted to $3,409,319 and $3,278,905, respectively, for the years ended March 31, 1965 and March 31, 1964.

Note 5 – Unconsolidated Subsidiaries. Subsidiaries not consolidated are:

Domestic – Green Giant Land and Development Company, which owns certain waste disposal land and certain items of plant and farm equipment which are leased by the Company.

Foreign – Green Giant Italiana, S. p. A. – Cremona, which has constructed a processing plant in Pozzaglio, Italy, and has completed its first pack of canned asparagus, beans and peas for European distribution.

Investment in and advances to unconsolidated subsidiaries consist of the following:

	March 31, 1965	March 31, 1964
Green Giant Land and Development Company	$ 588,224	$ 268,113
Green Giant Italiana, S. p. A. – Cremona	1,179,438	692,957
Total	$1,767,662	$ 961,070

The investment in unconsolidated subsidiaries is carried at net equity value, adjusted to eliminate deferred expenses carried in the foreign subsidiary's balance sheet.

Note 6 – Long-Term Debt. Obligations maturing after one year consist of the following:

Green Giant Company	
4¾% Series A notes due $900,000 annually December 31, 1966 to 1969	$ 3,600,000
5% Series B notes due $900,000 annually December 31, 1970 to 1981 and $3,100,000 on December 31, 1982	13,900,000
Mortgage notes (secured by approximately $500,000 of plant properties) 5% to 5¼% due 1966 to 1980	363,225
Equipment contracts, due in monthly installments to 1974	85,614
Green Giant of Canada Limited	
5¼% Serial debentures, due $100,000 annually to May 1, 1968	300,000
6% Serial debentures, due $69,375 (U.S.) annually from May 1, 1969 to 1978	693,750
Total	$18,942,589

In addition to requiring maintenance of minimum working capital, a 150% current asset ratio, and other covenants, the long-term debt agreements contain provisions restricting the payment of cash dividends and the purchase or redemption by the Company of shares of its capital stock. At March 31, 1965, the amount of unrestricted retained earnings was approximately $2,400,000 and working capital exceeded the required minimum, as defined, by approximately $12,000,000.

Note 7 – Capital Stock. On April 15, 1965, the holders of the common and convertible common shares approved an increase in the authorized no par value common stock from 2,000,000 to 4,000,000 shares. On the same date, the Board of Directors declared a two-for-one split of the common and convertible common stock. Retroactive effect has been given to these actions in the accompanying financial statements and notes thereto.

The authorized capital of the Company consists of 50,000 shares (par value $100.00 each) of 5% cumulative preferred stock, 4,000,000 shares (without par or stated value) of common stock and 1,500 shares (without par or stated value) of convertible common stock. The preferred stock is callable at $110.00 per share. Preferred stockholders have no voting rights except when unpaid dividends thereon exceed $15.00 per share. Common stockholders are entitled to one vote per share and convertible common stockholders to one thousand votes per share. Beginning May 31, 1965, 176 shares of the convertible common stock are to be exchanged each year for common stock on the basis of 100 shares of common stock for each share of convertible common stock. The common stock and convertible common stock participate equally, on a share for share basis, in any cash dividends and, in shares of the respective class, in any stock dividends or stock splits declared by the Board of Directors.

On March 31, 1965, 216,072 shares of common stock were reserved for future issuance, as follows:

Conversion of convertible common stock	105,600
Stock options	
Options granted, not yet exercised	54,472
Available for additional grants	56,000
Total	216,072

Changes during the year in shares outstanding are shown in the following summary:

	Shares: Preferred	Common	Convertible Common
Outstanding April 1, 1964	24,333	1,911,216	1,232
Issued or (cancelled) on conversion		17,600	(176)
Sold under stock option plan		34,328	
Outstanding March 31, 1965	24,333	1,963,144	1,056

Under the Company's stock option plans, options are granted to selected key employees of the Company and its subsidiaries to purchase common stock at a price not less than 95% (100% after Dec. 31, 1963) of the fair market value at date of grant and exercisable over a period of years not exceeding six. Shares of common stock subject to the plans for the current year are summarized as follows:

Options Outstanding

Option price	Shares: April 1, 1964	Cancelled	Exercised	March 31, 1965
$ 6.175	4,800		996	3,804
6.8875	2,000		1,000	1,000
7.3025	4,000		3,000	1,000
7.3625	14,000		9,332	4,668
19.25	59,400	1,400	20,000	38,000
19.95	2,000			2,000
22.275	4,000			4,000
Total	90,200	1,400	34,328	54,472

No stock options were granted during the year ended March 31, 1965.

Note 8 — Commitments and Contingent Liabilities. Commitments for purchase or construction of plant, property and equipment aggregated approximately $2,000,000 at March 31, 1965. In addition, Green Giant Land and Development Company had made commitments for purchase of property and equipment aggregating approximately $1,850,000 at March 31, 1965, to be leased by the parent company on a long-term basis upon completion at an initial annual rental of $471,124, declining thereafter.

Long-term leases provide for annual fixed rentals and in some cases for the payment of property taxes, maintenance and insurance on the property, and certain farm leases provide for additional payments based on crop yields. Minimum annual rentals aggregating $820,000, including $420,000 to Green Giant Land and Development Company, are presently payable under such leases expiring at various times from April 1, 1968 to December 1, 1983.

The Company has guaranteed payment of its unconsolidated foreign subsidiary's mortgage note for $288,360.

Note 9 — Retirement Plan Provision. Provisions for contributions to the Company's non-contributory plan have been charged to earnings in the amounts of $786,809 and $349,411, respectively for the years ended March 31, 1965 and March 31, 1964. There are no past service costs under the plan.

Note 10 — Income Taxes. The Company and its subsidiaries use the "flow-through" method of recording the investment credit. Income tax provision was reduced by $217,537 and $164,973, respectively, for the years ended March 31, 1965 and March 31, 1964, because of the investment credit.

ACCOUNTANTS' OPINION

To the Shareholders and Board of Directors
Green Giant Company, Le Sueur, Minnesota

We have examined the statement of financial position of Green Giant Company and consolidated subsidiaries as of March 31, 1965, and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Certain adjustments, with our approval, have been made retroactively to prior years' earnings as previously reported to shareholders (Note 2). Statements for the year ended March 31, 1964, included herein for comparison, have been restated to reflect the retroactive adjustments.

In our opinion, the accompanying statements present fairly the financial position of Green Giant Company and consolidated subsidiaries at March 31, 1965, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated.

Chicago, Illinois
May 12, 1965

Albert T. Bacon & Co.
CERTIFIED PUBLIC ACCOUNTANTS

GREEN GIANT COMPANY

TEN YEAR SUMMARY

Year Ended March 31	1965	1964(A)
Sales	$115,713,309	$ 97,631,559
Net Income	$ 3,113,085	$ 1,812,173
Per Cent of Sales	2.7	1.9
Per Share of Common Stock		
Net Income(B)	$ 1.54	$ .90
Net Income(C)	$ 1.47	$ .84
Dividends Paid(B)	$ .57½ (D)	$ .52½
Book Value —		
Close of Year(B)	$ 15.24	$ 14.44
Close of Year(C)	$ 14.46	$ 13.56
As of March 31		
Current Assets	$ 47,261,675	$ 48,308,391
Current Liabilities	17,730,253	20,037,436
Working Capital	$ 29,531,422	$ 28,270,955
Fixed Assets	19,553,419	19,346,347
Other Assets	1,817,366	1,064,706
Total	$ 50,902,207	$ 48,682,008
Less Long-Term Debt	18,942,589	19,089,521
Net Worth	$ 31,959,618	$ 29,592,487

1963 (A)	1962 (A)	1961 (A)	1960	1959	1958	1957	1956
$ 78,194,663	$ 75,038,512	$ 67,594,964	$ 64,115,715	$ 57,143,257	$ 56,283,894	$ 55,464,782	$ 53,605,398
$ 1,475,985	$ 2,193,221	$ 2,202,407	$ 1,816,050	$ 1,918,768	$ 840,963	$ 1,267,044	$ 1,863,637
1.9	2.9	3.3	2.8	3.4	1.5	2.3	3.5
$ .74	$ 1.14	$ 1.20	$ .99	$ 1.05	$ .42	$ .67	$ 1.01
$ .69	$ 1.05	$ 1.09	—	—	—	—	—
$ .47½	$ .42½	$ .37½	$ .32½	$ .27½	$ .25	$ .25	$ .25
$ 13.94	$ 13.82	$ 13.60	$ 12.42	$ 11.74	$ 10.98	$ 10.80	$ 10.38
$ 12.96	$ 12.72	$ 12.36	—	—	—	—	—
$ 40,408,136	$ 31,049,378	$ 26,485,927	$ 23,312,363	$ 22,000,462	$ 20,360,909	$ 16,378,237	$ 15,376,296
12,919,962	10,760,400	6,854,420	7,803,379	7,177,308	6,840,487	2,730,822	1,716,034
$ 27,488,174	$ 20,288,978	$ 19,631,507	$ 15,508,984	$ 14,823,154	$ 13,520,422	$ 13,647,415	$ 13,660,262
17,659,000	15,738,361	15,431,476	12,807,087	12,957,368	13,319,238	10,859,834	10,010,728
864,690	454,629	666,397	1,121,473	1,074,382	1,222,937	2,271,912	1,202,857
$ 46,011,864	$ 36,481,968	$ 35,729,380	$ 29,437,544	$ 28,854,904	$ 28,062,597	$ 26,779,161	$ 24,873,847
18,000,000	8,975,000	9,550,000	5,975,000	6,500,000	7,025,000	6,050,000	4,875,000
$ 28,011,864	$ 27,506,968	$ 26,179,380	$ 23,462,544	$ 22,354,904	$ 21,037,597	$ 20,729,161	$ 19,998,847

(A) Adjusted to give effect to accounting practices followed during year ended March 31, 1965 (See Note 2 of Notes to Financial Statements).
(B) After adjustments for 2-for-1 Stock Split July, 1960 and April, 1965.
(C) After giving effect to ultimate conversion of convertible common stock.
(D) First and second quarters at 13¾¢, third and fourth quarters at 15¢.

PLANT LOCATIONS

GREEN GIANT COMPANY

CALIFORNIA	Watsonville, Yuba City
DELAWARE	Middletown-Woodside
IDAHO	Buhl
ILLINOIS	Belvidere, Lanark
MICHIGAN	Niles
MINNESOTA	Blue Earth, Cokato, Glencoe, Le Sueur, Montgomery, Savage, Winsted
NEW JERSEY	Vineland
WASHINGTON	Dayton, Lacey, Waitsburg
WISCONSIN	Beaver Dam, Fox Lake, Ripon, Rosendale

GREEN GIANT OF CANADA, LTD.

ONTARIO	Tecumseh
QUEBEC	Ste. Martine

GREEN GIANT ITALIANA S. p. A.

ITALY	Pozzaglio

GROWING AND PROCESSING AREAS

ASPARAGUS	California, Delaware, Maryland, New Jersey, Washington; Italy
BROCCOLI	California
BRUSSELS SPROUTS	California
CAULIFLOWER	California
CORN	Idaho, Illinois, Iowa, Minnesota, Wisconsin; Ontario, Quebec
ITALIAN BEANS	California, Oregon
LIMA BEANS	California, Delaware, Illinois, Washington
MELONS	California
SPINACH	California
MUSHROOMS	Michigan, Pennsylvania, Washington; Formosa
PEACHES	California
PEAS	Idaho, Illinois, Iowa, Minnesota, Oregon, Washington, Wisconsin; Ontario, Quebec; Italy
PEPPERS	Delaware; Ontario
PLUMS	California
ONIONS	California
SNAP BEANS (GREEN AND WAX)	California, Illinois, Indiana, New Jersey, Wisconsin; Ontario, Quebec; Italy

TRANSFER AGENTS

First National Bank of Minneapolis
120 South Sixth Street
Minneapolis, Minnesota 55402

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, New York 10015

REGISTRARS

First National Bank of Minneapolis
120 South Sixth Street
Minneapolis, Minnesota 55402

First National City Bank
55 Wall Street
New York, New York 10015

THE ANNUAL MEETING

of the Stockholders will be adjourned from June 25, 1965, and will be held on Tuesday, July 27 in the Auditorium on the fifth floor of the First National Bank Building, Minneapolis, Minnesota. Meeting time will be 10:00 a.m. Central Daylight Saving Time.